



PRESS RELEASE

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Contact: dana.howard@covered.ca.gov
Media Line: (916) 205-8403

**AFFORDABLE CARE ACT TO PROVIDE POSITIVE FINANCIAL
IMPACT FOR MOST CALIFORNIANS IN 2014**
*New Milliman Actuarial Study projects lower costs to millions due to subsidies,
guaranteed coverage, less out of pocket spending and
Affordable Care Act provisions*

SACRAMENTO, Calif. – Premium tax credits and cost sharing subsidy provisions of the Affordable Care Act will sharply reduce costs for millions of Californians who purchase health insurance on the individual market in 2014 despite projected premium increases due to guaranteed issue provisions, according to a report released today by Covered California.

The report by Milliman, commissioned by Covered California, shows that those individuals with incomes less than 400% of the federal poverty level purchasing an individual plan next year are likely to pay about 47 to 84 percent less in monthly premiums compared to 2013. These consumers will benefit directly from the federal tax credits that will be available through Covered California. The study also concludes that those earning above 400 percent of the federal poverty level may see a cost increase that would average 20 percent due to increases in their monthly premiums but would be partially offset by reduced out-of-pocket cost. For many individuals facing increased premiums, they could potentially avoid some or all of the potential price increase by shopping for lower priced plans either in Covered California or on the individual market.

“It is critical to understand the true financial impact on Californians as we move towards 2014, and this is an important step in determining strategies to help protect consumers from cost increases”, said Covered California Executive Director Peter V. Lee. “Our top priority is to provide Californians with affordable health insurance options, and we are pleased that most individuals will pay lower rates and receive better coverage.”

The Milliman report focused on the individual market, since the Affordable Care Act has a much smaller effect on the millions of Californians who have health insurance through their employer. In addition, the report highlights the potential impacts of changes to health plan rates based on the age of consumers, showing that younger

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adults under the age of 25 may experience the highest rate increases – approximately 25 percent higher than the average increase for all ages– while older adults may see a rate increase 12 percent lower than the average increase for all ages.. Even these changes, however, could be more than offset for younger Californians. Many younger Californians will be eligible for subsidies and they can also reduce their costs by choosing a “catastrophic plan” which will be available at a reduced cost only to those under 30 years old.

The Affordable Care Act also allows younger adults under the age of 26 to remain covered under their parent’s health plan.

One of the significant factors in the potential increase in premium rates is the expected enrollment of Californians who can no longer be charged higher premiums or excluded based on their health status. Providing “guaranteed issue” is a key component of the Affordable Care Act and will likely result in a less healthy mix of insureds than is currently part of the individual market that excludes millions of Californians.

The Milliman Report estimates that extending coverage to those who have been previously uninsured will create a 26.5 percent increase for individual plan premiums. Much of this increase, however, is offset by other provisions of the Affordable Care Act. Those provisions include a reinsurance provision that will lower premiums by 8 percent to 12 percent; and the increase in competition that will foster reduced provider prices and the reduction of administrative costs which together are estimated to reduce premiums by more than 10 percent.

“We are proud to be at the forefront of implementing the Affordable Care Act in California. As we continue to prepare for the opening of the new health insurance marketplace in 2014, quality and the cost of health care coverage is a top priority,” said Lee. “There are 5.3 million Californians who will qualify for purchasing insurance through Covered California. The insights gained from this research confirm that most people will experience a positive impact. This confirms that California is headed in the right direction in its implementation of the Affordable Care Act.”

Other key findings from the report include:

- Premiums would have increased 9 percent in 2014 due to normal health cost and utilization trends, even without implementation of the Affordable Care Act;
- Californians who currently have individual plans and fall between 250 and 400 percent of federal poverty level will pay on average 47 percent less for insurance with a premium tax credit. Covered California estimates 570,000 Californians fall in this category;

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- Individuals who are higher earners and have private insurance today but are not eligible for a subsidy would experience a cost increase.
- Higher earners who are uninsured and not eligible for a subsidy, will benefit as they can't be denied insurance because of a pre-existing condition.

For more information on changes to the marketplace, visit Covered California's consumer-friendly website at www.coveredca.com. The Milliman report is now available on Covered California's stakeholder website at www.healthexchange.ca.gov.

About Covered California

California was the first state to create a health benefit exchange following the passage of federal health care reform. Covered California is charged with creating a new insurance marketplace in which individuals and small businesses can get access to health insurance. With coverage starting in 2014, Covered California will help individuals compare and choose a health plan that works best for their health needs and budget. Financial help will be available from the federal government to help lower costs for people who qualify on a sliding scale. Small businesses will be able to purchase competitively priced health plans and offer their employees the ability to choose from an array of plans and may qualify for federal tax credits.

Covered California is an independent part of the state government whose only job is to make the new market work for California's consumers, and is overseen by a five-member board appointed by the Governor and Legislature.

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